

Message Text

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PAGE 01 OTTAWA 10621 01 OF 03 292021Z
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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 5800

S E C R E T SECTION 01 OF 03 OTTAWA 10621

LIMDIS

DISTRIBUTE EUR/CAN:MR. ROUSE ONLY

E.O. 11652: GDS

TAGS: OVIP (MONDALE, WALTER)

SUBJECT: COMMENTS ON BRIEFING PACKAGE FOR VICE PRESIDENT

1. BRIEFING PACKAGE FOR VICE PRESIDENT'S JANUARY VISIT TO CANADA COVERS WELL THEMES AND ISSUES WE ANTICIPATE WILL BE DISCUSSED. IN FEW INSTANCES -- ALBERTA GAS, DEDUCT-ABILITY OF FOREIGN CONVENTION EXPENSES AND ENERGY R AND D-- WE THINK MORE ADVANTAGE MIGH BE TAKEN OF VISIT TO NUDGE ISSUES FORWARD OR THAT MORE POSITIVE CAST, AS ALSO IN CASE OF QUEBEC, COULD BE GIVEN TO US PSITIONS. IN PARTICULAR, ALBERTA GOVERNMENT (CALGARY 608) ANTICIPATES CONCRETE DISCUSSION WITH VICE PRESIDENT ON PROSPECTS FOR INCREASED SHORT-TERM EXPORTS OF GAS TO U.S. DISCUSSION WHICH IS TOO GENERAL AND FAMILIAR LIKELY TO BE TAKEN AS HIGH-LEVEL INDICATION OF LACK OF INTEREST IN PURSUING THIS POSSIBILITY. TREATMENT WE PROPOSE FOR THESE SUBJECTS MAY, THEREFORE, REQUIRE FURTHER CLEARANCE.

2. WE BELIEVE IT ALSO WOULD BE USEFUL TO EXPLAIN FURTHER TO ALBERTA GOVERNMENT, THROUGH CONGEN CALGARY, PURPOSE OF VICE PRESIDENT VISITING ALBERTA. WE WOULD

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SAY THAT VISIT IS INTENDED TO GIVE DUE RECOGNITION TO IMPORTANCE TO US NOT ONLY OF TRADITIONAL ATTACHMENT TO UPPER CANADA BUT TO ALL OF CANADA, AND ESPECIALLY TO RISING IMPORTANCE OF THE WEST. WE WOULD FURTHER CHARACTERIZE VISIT AS DESIGNED TO MAINTAIN MOMENTUM IN BILATERAL RELATIONS ON BROAD RANGE OF POLITICAL, ECONOMIC AND ENVIRONMENTAL ISSUES BUT NOT TO ATTEMPT

NEGOTIATION. REQUEST THAT WE BE AUTHORIZED TO MAKE SUCH AN APPROACH.

3. FOLLOWING EMBASSY COMMENTS ARE KEYED TO SCOPE PAPER:
PAGE 2, PARA ONE UNDER "SETTING": RECOMMEND BE REVISED TO READ: "TRUDEAU'S POLITICAL STRENGTH HAS DECLINED SOMEWHAT OVER THE PAST SEVERAL MONTHS, BUT HIS LIBERAL PARTY STILL LEADS THE OPPOSITION PROGRESSIVE CONSERVATIVE PARTY BY ABOUT 10 PERCENTAGE POINTS IN THE GALLUP POLLS. TRUDEAU IS PREOCCUPIED WITH THE QUEBEC THREAT TO NATIONAL UNITY AND THE SEVERE ECONOMIC PROBLEMS FACING CANADA, BOTH OF WHICH ARE EXPECTED TO BE THE MAIN ISSUES IN THE FEDERAL ELECTIONS WHICH WILL PROBABLY BE CALLED IN LATE SPRING OR EARLY SUMMER. THE GAP IN THE POPULAR STANDINGS OF THE LIBERALS AND THE PROGRESSIVE CONSERVATIVES WILL PROBABLY NOMISED TO SUBMIT TO PARLIAMENT, PROBABLY THIS SPRING, SPECIFIC PROPOSALS FOR REVISING THE CANADIAN CONSTITUTION".
PAGE 5, SUGGEST "POINTS TO BE MADE" BE REVISED TO READ:

--"AS THE PRESIDENT STATED LAST FEBRUARY, THE STABILITY AND UNITY OF CANADA IS OF GREAT IMPORTANCE TO US.
--WE CONTINUE TO BE PREPARED TO BE HELPFUL IN REGARD TO NATIONAL UNITY IF THERE IS ANYTHING THE CANADIAN GOVERNMENT BELIEVES WE CAN USEFULLY DO, BUT WE HAVE NO INTENTION OF INTERFERING IN ANY WAY ON OUR OWN IN
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THIS CANADIAN PROBLEM.

--WE HAVE ALSO MADE CLEAR OUR CONFIDENCE THAT THE QUEBEC ISSUE WILL BE RESOLVED IN AN ORDERLY AND DEMOCRATIC WAY, AND HAVE ENCOURAGED U.S. INVESTORS NOT TO OVERREACT.

--WE WOULD APPRECIATE YOUR ASSESSMENT OF THE QUEBEC SITUATION."

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TO SECSTATE WASHDC PRIORITY 5801

S E C R E T SECTION 02 OF 03 OTTAWA 10621

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PAGE 6, ADD UNDER "POINTS TO BE MADE":

--INFORMAL, BILATERAL CONSULTATION ON ECONOMIC POLICY
COULD BE BENEFICIAL BY MAXIMIZING THE REINFORCING
EFFECTS OF NATIONAL POLICIES. WE WOULD BE PREPARED
TO HOLD SUCH A MEETING IF CANADA IS INTERESTED.

PAGES 7 THROUGH 9, UNDER "CANADIAN ROLE IN LATIN
AMERICA," RECOMMEND REFERENCES TO "PEACEKEEPING
ACTIVITIES" BE DELETED. CANADA FEELS THAT IT HAS
ALREADY CONTRIBUTED MORE THAN ITS SHARE TO PEACE-
KEEPING ACTIVITIES. CANADIANS ARE TOO UNCERTAIN ABOUT
THEIR ROLE IN LATIN AMERICA TO CONTEMPLATE THIS ISSUE
BEFORE THE OAS ISSUE HAS BEEN SETTLED.

PAGE 11, 18TH LINE: DELETE SENTENCE WHICH BEGINS
"CANADA SEEKS A HIGH LEVEL..." INSERT IN ITS PLACE:
"CANADA IS CONCERNED AT THE PROSPECT OF AN EXCESSIVE
LEVEL OF SUBSIDIZED SEABED MINING WHICH WOULD DE-
STABILIZE THE FREE PLAY OF THE WORLD NICKEL MARKET."

PAGE 11, SECOND "POINTS TO BE MADE"; DELETE SECOND LINE
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"ABOUT THE FUTURE OF ITS" AND REPLACE WITH, "ABOUT THE
EFFECT THAT AN EXCESSIVE LEVEL OF SUBSIDIZATION OF SEA-
BED MINING MIGHT HAVE ON ITS"...

PAGE 12, RECOMMEND "POINTS TO BE MADE" BE REVISED TO
REFLECT LATEST STATUS OF NEGOTIATIONS.

PAGE 13, UNDER SOUTHERN AFRICA, SUGGEST SECTION BE
REVISED TO NOTE RECENT CANADIAN GOVERNMENT'S DECISIONS
REGARDING ECONOMIC RELATIONS WITH SOUTH AFRICA
(OTTAWA 1059).

PAGE 17, ADD UNDER "POINTS TO BE MADE":

--STRATEGIC OIL STORAGE. WE HAVE NOT DETERMINED WHETHER STORAGE WILL BE CENTRALIZED IN ONE LOCATION OR DE-CENTRALIZED WITH SEVERAL REGIONAL STORAGE FACILITIES. IF WE OPT FOR REGIONAL STORAGE WE WILL GIVE SERIOUS CONSIDERATION TO CANADIAN PROPOSALS FOR A JOINT FACILITY IN THE MARITIME PROVINCES.

PAGE 18, UNDER "POINTS TO BE MADE": REVISE POINT ON PETROCHEMICAL AND BEEF TARIFF REDUCTIONS TO REFLECT SUBSTANTIAL OFFERS WE UNDERSTAND US INTENDS TO TABLE AT MTN AT ABOUT TIME OF THIS VISIT.

ALSO REVISE POINT ON RAPESEED ALONG FOLLOWING LINES:

"INCREASED CANADIAN EXPORTS OF RAPESEED AND RAPESEED OIL TO THE US FOR FOOD DEPENDS UPON SECURING CERTIFICATION FROM THE US FOOD AND DRUG ADMINISTRATION. THE ONLY APPLICATION SO FAR SUBMITTED FOR A SPECIFIC LIMITED FOOD USE HAS BEEN APPROVED." (WE MAKE THIS SUGGESTION
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SINCE PREMIER LOUGHEED'S INCLINATION TO VIEW FDA CERTIFICATION AS A NEGOTIATED, RATHER THAN OBJECTIVE, ACTION SHOULD BE DISCOURAGED.)

4. WE ALSO PROPOSE REVISION OF THREE BACK-UP BRIEFING PAPERS AS FOLLOWS:

A. PAPER ON: "US TAX LAW ON FOREIGN CONVENTIONS". SOUNDINGS OF GOVERNMENT AND PARLIAMENTARY OPINION STRONGLY INDICATE NO WILLINGNESS TO CONSIDER A TRADE-OFF BETWEEN RELAXING BILL C-58 RESTRICTIONS ON DEDUCTABILITY IN CANADA OF FOREIGN TV ADVERTISING AND SECURING US NATIONAL TREATMENT FOR CONVENTION EXPENSES IN CANADA. ONLY TRADE-OFF WE SEE IN BORDER TV AREA IS CONCLUSIVE ASSURANCE THAT COMMERCIAL DELETION POLICY (NOW UNDER STUDY) WILL NOT BE REACTIVATED OR EXTENDED. WE URGE THAT THIS APPROACH BE SUBSTITUTED FOR LINK TO BILL C-58.

ADDITIONALLY, DESCRIPTION, UNDER "POINTS TO BE MADE" OF WHAT ADMINISTRATION IS PROPOSING ON FOREIGN CONVENTION EXPENSE RULES IN TAX REFORM PACKAGE SHOULD BE SPECIFIC--ALONG LINES OF DISCUSSION IN PARA 3 UNDER "ESSENTIAL FACTORS".

B. PAPER ON: "COORDINATED ENERGY R AND D: TAR SANDS". WE BELIEVE THIS PAPER NEEDS REVISION TO FOCUS MORE

CLEARLY ON R AND D COOPERATION. DISCUSSION OF LINKAGE
BETWEEN US INVESTMENT IN NON-CONVENTIONAL OIL EXTRACTION
AND INCREASED OIL EXPORTS SEEMS INAPPROPRIATE IN THIS
CONTEXT FOR TWO REASONS:
--IT IS NOT AN R AND D ISSUE,

--SUCH LINKAGE IS LIKELY TO BE NEITHER NEEDED BY CANADA

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(FINANCING IS FROM PRIVATE OIL COMPANIES -- NONE IS LIKELY
TO BE SOUGHT FROM US GOVERNMENT SOURCES) NOR ACCEPTABLE
TO IT (CANADA IS CRUDE OIL DEFICIENT).

WE BELIEVE INCLUDING AS A US OBJECTIVE JOINT R AND D ON
NON-CONVENTIONAL RECOVERY PROCESSES TO BE MORE APPROPRIATE
AND DESIRABLE. FOR MOST PART, DISCUSSION UNDER "ESSENTIAL
FACTORS" DEALS WITH MINING OF TAR SANDS. THIS IS NOT AN
IN SITU RECOVERY TECHNIQUE AND, THEREFORE, ALSO NOT
RELEVANT TO THE SUBJECT OF THE PAPER. ABOUT 90 PERCENT
OF CANADA'S TAR SAND RESERVES ARE BELOW FORESEEABLE
MINING DEPTH AND POTENTIALLY EXPLOITABLE ONLY BY IN SITU,
NOT MINING, RECOVERY.

IN SITU RECOVERY IS IMPORTANT TO US IN BOTH HEAVY OIL
AND OIL SHALE -- LAYING A BASIS FOR MUTUALLY BENEFICIAL
R AND D COOPERATION WITH CANADA. WE BELIEVE THAT POINTS
NOW UNDER "POINTS TO BE MADE" SHOULD BE DELETED AS
IRRELEVANT TO IN SITU R AND D AND THAT THIS SECTION
SHOULD HIGHLIGHT US WILLINGNESS TO WORK TOWARD JOINTLY
FUNDED R AND D PROGRAM FOR DEVELOPMENT OF AN EFFICIENT
IN SITU RECOVERY PROCESS APPLICABLE IN BOTH US AND

CANADA.

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C. PAPER ON: "INCREASED GAS EXPORTS FROM CANADA".
WE PROPOSE ADJUSTING US POSITION ON TIME-SWAPS TO
ACCOMMODATE GOC POLITICAL NEEDS BY UNDERTAKING TO LICENSE
- TIME-SWAPS IF THEY CAN BE WORKED OUT. SO FAR, ENERGY
COMPANIES CONCERNED DO NOT REGARD THEM AS ATTRACTIVE
POSSIBILITIES.

WE WOULD ALSO PREFER NOT TO JUDGE NOW HOW GOC WILL COME
OUT ON CONDITIONS SURROUNDING TWO MAIN ALTERNATIVES FOR
USE OF ALBERTA GAS, I.E., INCREASED EXPORTS OR EAST-
WARD EXTENSION OF PIPELINE TO QUEBEC AND BEYOND. IF
NEW GAS DISCOVERIES REACH LEVEL SUFFICIENT TO SUSTAIN
DELIVERIES TO EASTERN CANADA, APPEAL OF CONSUMING GAS
DOMESTICALLY WOULD BE STRENGTHENED.

CONSEQUENTLY, WE RECOMMEND THAT LAST PARA UNDER
"ESSENTIAL FACTORS" BE REVISED AS FOLLOWS: "THUS, IN
DISCUSSIONS WITH THE CANADIAN GOVERNMENT, WE SHOULD
EMPHASIZE OUR PREFERENCE FOR UNCONDITIONAL COMMERCIAL
SALES. BUT, IF NECESSARY, WE SHOULD HOLD OUT THE
POSSIBILITY OF A US COMMITMENT TO LICENSE FOR FUTURE
EXPORT TO CANADA AN OFFSETTING QUANTITY OF GAS AS A
TIME-SWAP, ASSUMING THE ENERGY COMPANIES CONCERNED COME
TO A COMMERCIAL AGREEMENT ON THIS BASIS".

SIMILARLY, THE FINAL POINT UNDER "POINTS TO BE MADE"
SHOULD BE REVISED ALONG FOLLOWING LINES:

--THE STRONG PREFERENCE OF THE UNITED STATES IS FOR
UNCONDITIONAL COMMERCIAL EXPORT ARRANGEMENTS. BUT WE ARE
PREPARED TO CONSIDER AN UNDERTAKING TO AUTHORIZE
THE EXPORT OF REPLACEMENT QUANTITIES OF US GAS IN
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RESPONSE TO SPECIFIC APPLICATIONS, PROVIDED THERE IS A
WILLING BUYER AND SELLER. ENDERS

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